

# Essays on international trade

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## **6 Chapter Six: Impact Statement**

How countries can participate and gain effectively from international trade has been an important area of economic research and policy debate. The overarching objective of this thesis was to contribute to this discussion and help provide a much-needed direction for policy-makers, paying particular attention to the country and industry characteristics that may serve as enablers for trade participation or reap the gains thereof. In line with article 22 of the regulation governing the attainment of the doctoral degree at Maastricht University, therefore, this chapter aims at highlighting the societal and scientific impact of the thesis' results.

Against this backdrop, one of the main takeaways from the first essay that is of societal relevance is to inform policy-makers that a country's industry composition can shape the effect of capital controls in the local economy, with capital controls tending to lead to comparative disadvantage for countries that export more in external finance dependent sectors. Hence, a country specializing in sectors that depend extensively on external finance may do well for itself by avoiding policies that restrict cross-border capital flows especially when the domestic credit market is underdeveloped. While the essay contributes to the thin literature on the trade effects of capital controls, it also creates a precedence for future research to examine the impact of capital controls on other aspects of economic activities such as innovation and on how capital controls interacts with other country idiosyncrasies to affect diverse productive economic activities.

The second essay shows that imported intermediate inputs are essential source of manufacturing industry upgrading in African countries. One of the main societal relevance of that chapter is that it informs African policy makers about the need to soften barriers to imports to facilitate access to world-class inputs which are important for the upgrading of the region's manufacturing industry. It also brings to limelight the choice-set African policy-makers are confronted with which is to either resort to intermediate inputs from other global Southern countries where technological gap is low or source intermediate inputs from the global Northern countries where technology gap is wide. Results from the thesis suggest that policy measures targeted at sourcing inputs from the global North must be accompanied by complementary policies aimed at enhancing domestic absorptive capacities of local industries. More generally, findings from the essay lends weight to the scientific discussion on the need for South-South cooperation as opposed to South-North cooperation due to technological and cultural differences.

The third essay underscores the interplay between country heterogeneity in patent enforcement and industry heterogeneity in R&D-intensity as an essential determinant of the geographical and industry variation in average product-quality. To the extent that exporting quality products are important for economic growth, it shows one of the ways patent enforcement affects economic growth. This extends the broader literature examining the different channels patent enforcement may affect economic growth. Further, one of the main societal relevance of the chapter is that it informs policy makers seeking to specialize in the production and export of higher quality products in R&D-intensive sectors require effective patent enforcement as a means of encouraging technology exchange and investment in those sectors. It also

Finally, the results from this thesis will be of interest to governments, policymakers and researchers. Several chapters have been presented to conferences. For instance, Chapter 2 was presented at the “SBE Welcome Conference: Moving forward Together” in January, 2020. Chapter 3 was presented at the 11th Conference on Model-based Evidence on Innovation and Development (MEIDE) in Abidjan, Ivory Coast. The discussions in these meetings were positive and indicated the relevance of the topic in both research and policy. While the first essay has undergone additional review process to make it into the thesis in its current format, its earlier versions has been published in *International Economics Journal*. The second essay is also expected to be submitted to a peer-reviewed journal, while the third essay is currently under a second round of review in a Journal.